

NEWS RELEASE

MARKET SENSITIVE INFORMATION

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HCOB Germany Construction PMI®

Construction activity falls at slightly quicker rate in October

Key findings:

Declines in activity accelerate in all three sub-sectors

Further staff cutbacks recorded amid a lack of new work

Cost pressures continue to ease

Data were collected 10-30 October 2024.

Germany's construction sector started the fourth quarter with another disappointing performance, seeing slightly faster decreases in both activity and new orders as well as another notable round of staff retrenchment, according to the latest HCOB PMI® data. Firms' expectations towards the outlook remained deeply pessimistic.

Cost pressures facing building companies meanwhile continued to subside, with October seeing faster declines in both average prices paid for purchases and subcontractor rates.

The **HCOB Germany Construction PMI Total Activity Index** – a seasonally adjusted index tracking changes in total industry activity – came in at 40.2 in October, marking a slight setback from the 16-month high of 41.7 recorded in September. The latest reading was indicative of a sharp rate of decline in activity and was slightly below the average recorded since the current downturn began in April 2022.

Each of the three broad construction categories monitored by the survey recorded faster decreases in activity in October. The housing sector once again saw the steepest rate of contraction, followed by the commercial segment. However, it was in civil engineering where the decline in activity accelerated most notably from the month before, with this sector registering its worst performance for three months.

As was the case with activity, new orders received by German construction companies posted a slightly faster decline at the start of the fourth quarter. The rate of contraction was the quickest since July, although it was still much slower than that seen at the same stage last year. Panellists indicated that weakness in the broader economy and high interest rates were weighing on demand for new construction projects.

With workloads continuing to decline across the construction sector, building companies remained in retrenchment mode. October saw another marked decrease in employment, albeit with the pace of job shedding easing slightly from September's nine-month record. Purchases of building materials and products were also scaled back. On this front, the rate of contraction quickened for the second month running and was the fastest seen since June.

German constructors also reported a substantial reduction in the usage of subcontractors in October. The availability of subcontractors improved accordingly, while there was also further downward pressure on the rates they charged. In fact, the extent to which subcontractor rates fell was the most marked in nearly 12 years.

At the same time, the decline in average prices paid for purchases gathered pace. Input costs decreased for the seventh month in a row and at the quickest rate since October last year.

Looking ahead, German construction firms continued to expect lower activity in the coming year. Sentiment improved slightly since September, but it was still the second-weakest in the year to date. Pessimism towards the outlook reflected concerns about the direction of travel of the wider economy, as well as still-high borrowing costs and political uncertainty, anecdotal evidence showed.

Comment

Commenting on the PMI data, Jonas Feldhusen Junior Economist at Hamburg Commercial Bank, said:

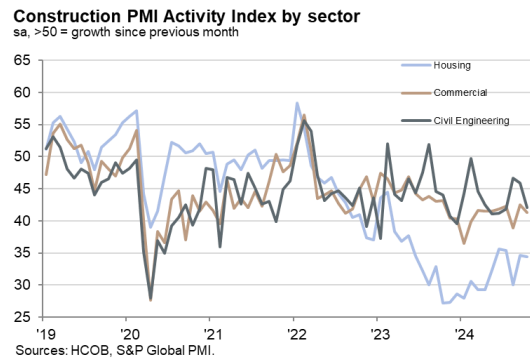
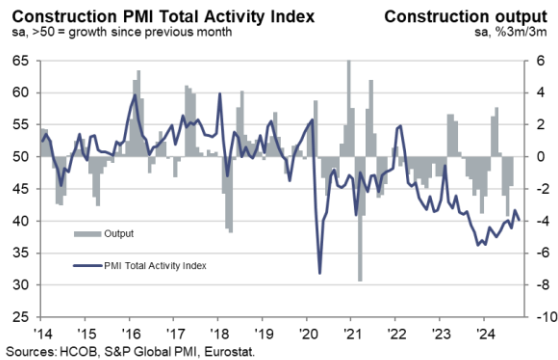
“The downturn in Germany’s construction sector intensified in October. Analysing the headline activity index, one could identify a tentative trend reversal during the summer months up until September. However, the latest survey results contradict this interpretation, unfortunately indicating that there is still no sustained improvement in the German construction sector. This impression is reinforced by a further significant drop in new orders in October.”

“Activity across all construction subsectors fell again in October. The residential construction sector remains particularly concerning, with building activity continuing to decline rapidly and persistent pressure on companies in the sector. In civil engineering, the situation appears even less favourable than in the previous month. Likewise, there is no sign of recovery in the commercial construction sector. Activity remains low, reflecting the ongoing weak demand for commercial spaces and a reluctance to invest.”

“Subcontractors are heavily impacted by the crisis, as their services are increasingly underutilised due to the weak economic climate. As a result, they have been reducing their prices for three consecutive months. Despite these price reductions, demand for subcontractor services has not increased.”

“It is hardly surprising that future expectations in Germany’s construction sector remain bleak. According to some panellists, the persistently weak economic conditions and political uncertainty in the country continue to suppress demand within the sector. A comprehensive fiscal stimulus program would certainly benefit the industry. However, a robust program capable of providing investment security is unlikely to be forthcoming from the current government.”

-Ends-



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Note to Editors

The HCOB Germany Construction PMI[®] is compiled by S&P Global from responses to questionnaires sent to a panel of around 150 construction companies. The panel is stratified by company workforce size, based on contributions to GDP. Survey data were first collected September 1999.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Total Activity Index. This is a diffusion index that tracks changes in the total volume of construction activity compared with one month previously. The Total Activity Index is comparable to the Manufacturing Output Index and Services Business Activity Index. It may be referred to as the 'Construction PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

Hamburg Commercial Bank AG

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